

Members:

Rep. Craig Fry, Chairman
Sen. Richard Worman

Lay Members

Liz Carroll
D. Sue Roberson
Anne Doran
John Gerni

LSA Staff:

Robert Rudolph, Attorney for the Committee
Susan Cullen, Attorney for the Committee
Al Gossard, Fiscal Analyst for the Committee

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DEPARTMENT OF INSURANCE PAY STUDY COMMITTEE

**Legislative Services Agency
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Indianapolis, Indiana 46204-2789
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MEETING MINUTES

Meeting Date: September 24, 1998
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Room 156-C
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Representative Craig Fry, Chairman; Liz Carroll; D. Sue Roberson;
Ann Doran; John Gerni.

Members Absent: Senator Richard Worman.

Call to Order

The Chair, Representative Fry, called the meeting to order at 10:04 a.m. Committee members present and staff introduced themselves.

Committee Business and Discussion

The Chair gave a brief history of the 1994 legislation. He stated that the purpose of the Department of Insurance Fund was to assist the Department in addressing compensation of staff and upgrading of computer needs. He said that there is currently approximately \$3 million dollars in the Fund. The Chair expressed concern that money in the Fund was being used for purposes other than intended. He explained that the purpose of the Committee and the meeting was to determine the status of the process to improve the Department and to decide what more should be done.

The Chair recognized Sally McCarty, Commissioner of the Department. Ms. McCarty informed the Committee that there is currently about \$3.5 million in the Fund and that the Fund receives between \$1.0 million and \$1.5 million annually from its revenue sources. She reported that the State Personnel Department surveyed staff that left the Department in recent years to

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determine what the former staff members were now making. This information led the State Personnel Department to raise the recruitment differential by 29% which has been passed on to current staff. Ms. McCarty said that some former Department employees have been paid substantial bonuses by their current employers to recruit staff from the Department.

Ms. McCarty said that the Department's Enforcement Division had been spread too thin and that new positions were created by trading in less critical unfilled positions. She said that some clerical positions were also reclassified. Ms. McCarty described renovation of the Department's office space.

Ms. McCarty explained that the next phase for improvement of the Department's personnel system was job analysis in the Department's legal, company records, and agency services divisions. She said that the first phase that has already been implemented has been funded out of current appropriations. However, the Department may need money from the dedicated fund to implement the next phase of the program. The Chair responded that he had heard of uses of the dedicated fund to supplement the Department's operating budget. He stated that when the fund was created, he did not understand that money in the fund would be used for such purposes. Ms. McCarty responded that the largest expenditures from the fund have been for computer systems and other technology enhancements which have been beneficial to the Department.

Mr. Gerni asked the Chair to outline the Committee's agenda for the interim. Representative Fry responded that he anticipated that the Committee would conclude its work before early November. He reiterated that the Committee's purpose was not to be critical of the Department or the Administration but to determine what is being done to make certain the Department is accredited. Representative Fry said that the Department's employees are not sufficiently well paid and he was also concerned that the number of the Department's positions had also decreased.

Ms. Roberson explained how the State Personnel Department used the "1996 Insurance Department Resources Report"¹ evaluating the Insurance Department's salaries. She explained that the report contained salary ranges for each state. The SPD took the numbers for the minimum and maximum salaries for each state and created an "average salary range. Ms. Roberson said that the salary adjustments during the first phase of the project placed Insurance Department employees well within the average salary ranges.

Ms. Roberson explained that the salary adjustments made for attorney positions are approximately 13.9%, with a lead attorney position moved from a salary of from \$39,783 to \$45,313, one other attorney position moving from \$33,485 to \$38,139 and two other attorney positions moving from \$30,663 to \$34,925. Representative Fry asked how these salaries compared to those outside state government and whether there were other guidelines that could be examined. Ms. Roberson responded that the salaries for attorneys were within the range of the average range computed from the NAIC statistics and were higher than other attorneys working in state government.

With respect to staffing levels, Ms. Roberson explained that the SPD compared the Indiana

1. This report is published by the National Association of Insurance Commissioners.

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Department of Insurance with the NAIC report by agency function. She reported that 20 new positions would be added to the Department's staff. She broke out the additions as follows: Three new attorney positions, seven actuarial positions,² three positions in financial services, two positions in consumer affairs, four positions in licensing, and one position in information services.

There was discussion among Committee members regarding the validity of comparing the Indiana Department of Insurance with other state regulatory agencies based on the number of positions assigned to a particular function. Ms. Doran asked whether there are comparisons among agencies based on volume of business or budget. Ms. Roberson pointed out that the NAIC survey was done on a number of staff basis.

Representative Fry asked how many positions the Department of Insurance currently has. Ms. McCarty responded that the Department has 95 positions plus the 20 previously described to be added.

Representative Fry stated that he was encouraged by the report he had heard and complemented Ms. Roberson and her staff for significant movement. There was discussion of the phenomenon in state government that employees who move up through the system are not often compensated as well as individuals brought in from outside government for a particular job. There was discussion of the continuing change in the industry and how best to cope with those changes from the perspective of regulatory agencies.

Representative Fry reiterated that the Department of Insurance Fund is intended to be used to provide the money for salary differentials and was not to be used to supplement the Department's operating budget. He said that he would like all parties to clearly understand how money in the fund should be used in the future.

Next Meeting

The Chair scheduled the next meeting for Tuesday, October 13 at 10:00 a.m.

Adjournment

The Chair adjourned the meeting at approximately 11:30 a.m.

2. It was explained during the meeting that the actuarial positions were not actuaries. Ms. Roberson explained that seven was the number of positions needed to bring the Department to the average number of positions for this function under the NAIC report. Mr. Gerni clarified that the seven "actuarial" positions were not really actuaries but really did rate and form analysis. Ms. Carroll pointed out that actuarial services are typically contracted services and that other states generally do more property and casualty rate review than Indiana does.